

Revenue Assurance

Description of Coverage and Side-by-Side Comparison with Competing Revenue Products

I. INTRODUCTION

The Farm Bureau Mutual Insurance Company (Iowa Farm Bureau) developed Revenue Assurance (RA) at the request of elected member representatives. RA is now administered by American Farm Bureau Insurance Services, Inc. RA protects a producer's crop revenue whenever low prices or low yields, or a combination of both, cause the crop revenue to fall below the guaranteed revenue level. RA is available for basic units, optional units, enterprise units, and whole-farm units.

II. DESCRIPTION OF COVERAGE

The coverage and exclusions of RA are similar to those for the standard Multiple Peril Crop Insurance (MPCI) policy. However, MPCI provides coverage for loss of production, whereas RA provides coverage to protect against loss of revenue caused by low prices or low yields or a combination of both.

Revenue Assurance has available the fall harvest price option, which uses the greater of the fall harvest price or the projected harvest price to determine the crop revenue guarantee.

The producer must select a coverage level percent for basic and optional units. The minimum allowable coverage level is 65 percent and the maximum allowable is 75 percent for basic and optional units, and 85 percent for whole-farm and enterprise units.

- For corn, the projected harvest price is the simple average of the final daily settlement prices in February for the Chicago Board of Trade (CBOT) December corn futures contract.
- For soybeans, the projected harvest price is the simple average of the final daily settlement prices in February for the CBOT November soybean futures contract.
- For spring wheat, the projected harvest price is the simple average of the final daily settlement prices in February for the Minneapolis Grain Exchange (MGE) September hard red spring wheat futures contract. Note that durum wheat can be insured as hard red spring wheat.
- For sunflowers, the projected harvest price is the simple average of the final daily settlement prices in February for the CBOT October soybean oil futures contract divided by two, then subtract one.
- For feed barley, the projected harvest price is the simple average of the final daily settlement prices in February for the Winnipeg Commodity Exchange (WCE) October feed barley futures contract multiplied by 0.02177. This factor converts the WCE price from Canadian dollars per metric ton to Canadian dollars per bushel. To convert into U.S. dollars multiply the price in Canadian dollars per bushel by the simple average of the final daily settlement prices in February on the September Canadian dollar futures contract on the Chicago Mercantile Exchange (MERC), using the current U.S./Canadian exchange rate.
- For canola, the projected harvest price is the simple average of the final daily settlement prices in February for the WCE November canola futures contract divided by 2,205. This factor converts the WCE price from Canadian dollars per metric ton to Canadian dollars per pound. To convert into U.S. dollars multiply the price in Canadian dollars per pound by the simple average of the final daily settlement prices in February on the September Canadian dollar futures contract on the MERC, using the current U.S./Canadian exchange rate.

The crop projected harvest price is used in determining the crop replant payment. If the fall harvest price option is selected, the per-acre revenue guarantee is based on the greater of the projected harvest price or the fall harvest price. The prevented planting payment is based on the per-acre revenue guarantee.

Crop revenues are measured by multiplying the production to count on the insured unit by the fall harvest price.

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- For soybeans, the fall harvest price is the simple average of the final daily settlement prices in October for the CBOT November soybean futures contract.
- For spring wheat, the fall harvest price is the simple average of the final daily settlement prices in August for the MGE September hard red spring wheat futures contract.
- For sunflowers, the fall harvest price is the simple average of the final daily settlement prices in September for the CBOT October soybean oil futures contract divided by two, then subtract one.
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Indemnity payments will be made when the fall harvest price and all of the production to count are determined. The fall harvest price will be released by September 5 for feed barley and wheat, October 5 for sunflowers and canola, November 5 for soybeans, and December 5 for corn.

Indemnity payments for producers choosing the whole-farm unit will be made if the revenue (crop production to count times the crop fall harvest price times your respective share) at harvest from:

- Corn, soybeans, and spring wheat in South Dakota and Minnesota;
- Corn and soybeans in Iowa, Indiana and Illinois;
- Corn, soybeans, spring wheat, sunflowers, canola, and feed barley in North Dakota;
- Canola, spring wheat, and feed barley in Idaho;

is less than the whole-farm revenue guarantee. (To qualify for a whole farm unit, the producer must have RA insurance coverage on all of the insurable acres of the above crops that he plants in the applicable state.)

Replant payments will be made after the crop has been replanted and will be based on the projected harvest price.

III. COVERED AND EXCLUDED EVENTS

The RA policy provides insurance protection for loss of revenue due to unavoidable causes of loss, including a decline in crop prices.

IV. MARKET AVAILABILITY

Revenue Assurance covers corn, soybeans, and spring wheat in South Dakota and Minnesota. RA covers corn and soybeans in Iowa, Indiana and Illinois. RA covers corn, soybeans, spring wheat, sunflowers, canola and feed barley in North Dakota and in Idaho, RA covers canola, spring wheat and feed barley.

V. SIDE BY SIDE COVERAGE COMPARISON

Feature	Crop Revenue Coverage (CRC)	Income Protection (IP)	Revenue Assurance (RA)
Unit structure	Basic, Optional, and Enterprise	Enterprise unit (all acreage of the insured crop in the county in which the insured has an interest).	Basic, optional, enterprise, and whole farm. Whole farm coverage includes all of the RA crops in the county in which the insured has an interest.
Price reference for insurance guarantee	100 percent of the applicable base or harvest price (see Crop Provisions). Insurance guarantee may increase during the insurance period.	100 percent of projected price (see Crop Provisions).	100 percent of the CBOT/MGE/WCE/MERC projected price (see Crop Provisions). Insurance guarantee may increase during the insurance period.
Maximum upward price movement for insurance guarantee	\$1.50 per bushel for corn, \$3.00 for soybeans, and \$2.00 for wheat.	Not applicable.	None.
Coverage level percents	50 - 75 percent in 5 percent increments. 50 - 85 percent for certain crops in selected counties.	50 - 75 percent in 5 percent increments. 50 -85 percent for certain crops in selected counties.	65 - 75 percent for basic and optional units; 65 – 85 percent for whole-farm units and enterprise units.
Basis for insurance guarantee	Higher of: 1) minimum guarantee (APH yield x coverage level x base price x price percentage); or 2) harvest guarantee (APH yield x coverage level x harvest price x price percentage). Insurance guarantee may increase during the insurance period.	APH yield x coverage level x projected price (spring commodity price).	APH yield x coverage level x projected harvest price. If fall harvest price option selected and fall harvest price is greater than projected harvest price: APH yield x coverage level x fall harvest price.
Rating	APH base rate x CRC base rate factor x low price factor x high price factor.	New rating model incorporating yield and price variability.	New rating model where yield variability is based on APH rates, and price variability based on CBOT/MGE/WCE/MERC options contracts.
Eligibility for insureds with special rating: High Risk Land	Eligible for coverage	Not eligible for coverage	Eligible for coverage
Hail and fire exclusion	Not available	Not available	Not available